



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements Audit Report**

# **Soos Creek Water and Sewer District**

**King County**

**For the period January 1, 2013 through December 31, 2013**

**Published December 31, 2014**

**Report No. 1013362**





## Washington State Auditor Troy Kelley

December 31, 2014

Board of Commissioners  
Soos Creek Water and Sewer District  
Renton, Washington

### Report on Financial Statements

Please find attached our report on the Soos Creek Water and Sewer District's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

A handwritten signature in dark ink that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Soos Creek Water and Sewer District  
King County  
January 1, 2013 through December 31, 2013**

Board of Commissioners  
Soos Creek Water and Sewer District  
Renton, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Soos Creek Water and Sewer District, King County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 23, 2014.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

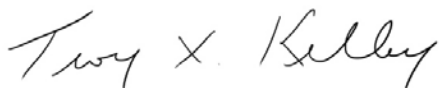
## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

December 23, 2014

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Soos Creek Water and Sewer District King County January 1, 2013 through December 31, 2013**

Board of Commissioners  
Soos Creek Water and Sewer District  
Renton, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Soos Creek Water and Sewer District, King County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 9.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Soos Creek Water and Sewer District, as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

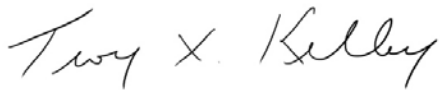
## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

December 23, 2014

## **FINANCIAL SECTION**

**Soos Creek Water and Sewer District  
King County  
January 1, 2013 through December 31, 2013**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2013 and 2012

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2013 and 2012

Statement of Revenues, Expenses and Changes in Net Position – 2013 and 2012

Statement of Cash Flows – 2013 and 2012

Notes to Financial Statements – 2013 and 2012

# SOOS CREEK WATER AND SEWER DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTRODUCTION

The following Management Discussion and Analysis is an introduction to the Soos Creek Water and Sewer District (the District) financial statements and the notes to the financial statements. The District is a Special Purpose District organized under the laws of the State of Washington, Revised Code of Washington, Title 57, to provide water and sewer services to specific areas in southeast King County, Washington. The District is not a segment or component of any other local government. The District reports its activities as an enterprise fund, which presents financial statements in a style similar to a private-sector business. The District is not legally required to formally adopt a budget; however, the District does so as a tool for monitoring and controlling revenues and expenses.

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, changes in Net Position can serve as an indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position, like a traditional income statement, shows the impact of revenues and expenses on the most recent fiscal year. Except for interest and penalties on ULID assessments (See Note 1), changes to net assets are reported as the underlying event occurs regardless of the timing of related cash flows.

The Statement of Cash Flows presents cash flow from operations, from capital and related financing activities, and from investing activities.

### COMPARATIVE FINANCIAL INFORMATION

	2013	Restated 2012	Restated 2011	Change 2012 to 2013
Assets				
Current	\$ 30,478,549.	\$ 30,288,767.	\$ 25,337,936.	\$ 189,782.
Restricted	18,392,892.	23,245,142.	24,247,124.	(4,852,250.)
Non-current assets				
Receivable and deferred	489,790.	613,942.	780,709.	(124,152.)
Capital assets (net of depreciation)	174,531,393.	167,480,426.	165,589,678.	7,050,967.
Total Assets	223,892,624.	221,628,277.	215,955,447.	2,264,348.
Current liabilities	4,108,831.	4,515,224.	3,334,240.	(406,393.)
Liabilities on Restricted Assets	625,124.	618,726.	611,984.	6,398.
Long term liabilities	5,376,277.	6,488,733.	7,333,661.	(1,112,456.)
Total Liabilities	10,110,232.	11,622,683.	11,279,885.	(1,512,451.)
Net position:				
Net investment in capital assets	168,389,412.	160,226,731.	157,291,884.	8,162,681.
Restricted	18,627,365.	23,568,075.	24,644,409.	(4,940,710.)
Unrestricted	26,765,616.	26,210,789.	22,739,271.	554,827.
Total Net Position	\$ 213,782,393.	\$ 210,005,594.	\$ 204,675,564.	\$ 3,776,799.

For information on prior period adjustments, see Note 16 of the notes to the financial statements

# SOOS CREEK WATER AND SEWER DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

### COMPARATIVE FINANCIAL INFORMATION (Continued)

	2013	Restated 2012	Restated 2011	Change 2012 to 2013
Operating Revenues:				
Sewer	\$ 25,771,088.	\$ 23,703,820.	\$ 23,041,102.	\$2,067,268.
Water	8,195,385.	7,995,872.	6,867,590.	199,513.
Other	2,305,900.	2,337,373.	2,231,296.	(31,473.)
Non-operating Revenues	427,780.	584,140.	351,768.	(156,360.)
Total Revenues	36,700,153.	34,621,205.	32,491,756.	2,078,948.
Operating Expenses	35,459,765.	32,885,777.	31,454,005.	2,573,988.
Non-operating Expenses	43,949.	174,122.	351,675.	(130,173.)
Total Expenses	35,503,714.	33,059,899.	31,805,681.	2,443,815.
Income Before Contributions	1,196,440.	1,561,307.	686,075.	(364,866.)
Capital Contributions	2,580,358.	4,053,338.	3,424,492.	(1,472,980.)
Change in Net Assets	3,776,799.	5,614,645.	4,110,567.	(1,837,846.)
Net Position, Jan. 1	210,005,594.	204,390,950.	200,280,383.	5,614,644.
Net Position, Dec. 31	<u>\$ 213,782,393.</u>	<u>\$ 210,005,594.</u>	<u>\$ 204,390,950.</u>	<u>\$ 3,776,798.</u>

For information on prior period adjustments, see Note 16 of the notes to the financial statements

### FINANCIAL POSITION AND RESULTS OF OPERATIONS

#### 2013

The District posted income before contributions of \$1,196,439 in 2013. Growth in sewer and water connections remained sluggish with the continued slump in residential construction. At yearend 2013 the District served 35,974 sewer equivalent residential units (ERUs) and 22,679 water ERUs, an increase over 2012 of 0.8% in sewer ERUs and 0.8% in water ERUs.

Financial highlights include:

- At the end of the year the net position of the District was \$213,782,393. Of this amount \$168,389,412 was invested in capital assets (net of related debt), \$26,765,616 was unrestricted assets and available for meeting the District's ongoing obligations, and \$18,627,365 was restricted assets. The restricted asset amount was composed of \$17,778,387 set aside for capital projects related to District growth and \$848,978 reserved for bond payments.
- The District's Net Assets increased \$3,776,798. This increase was created by Income of \$1,196,440 and by contributions from developers, called Contributions in Aid of Construction, of \$2,580,358. Developers installed \$1,421,189 of water and sewer infrastructure. These capital contributions are water and sewer lines and associated appurtenances that are constructed by private developers, according to the District's strict construction standards, and upon project completion are donated to the District. The District then maintains these water and sewer lines in perpetuity. An additional \$1,159,169 in system connection fees was collected.

# SOOS CREEK WATER AND SEWER DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL POSITION AND RESULTS OF OPERATIONS (Continued)

#### 2013

- District total liabilities decreased \$1,512,451. This change was mainly the result of a decrease of \$406,393 in current liabilities, mostly accounts payable, and \$1,111,714 scheduled principal reductions in revenue bond and Public Works Trust Fund loan balances.
- Total District revenues increased \$2,078,948. This increase was due to a 2% increase in the District's sewer rate plus a 10% increase in the King County sewage treatment rate yielding a year-over-year revenue increase of \$2,067,268. In addition, water revenue increased year-over-year by \$199,513, the result of a 2% increase in water rates. The \$156,360 decrease in non-operating revenue was largely due to a decrease in interest received on investments.
- The \$2,573,988 year-over-year increase in operating expenses was primarily due to an increase in sewage treatment costs of \$1,756,105. In addition, maintenance costs increased \$660,074 as the District increased expenditures for sewer odor control, safety materials, training, and supplies, and incurred significant emergency sewer line repairs.
- A \$130,173 decrease in non-operating expense is explained by a \$56,945 reduction in debt discount and expense amortization and a \$78,827 decrease in debt interest expense. Note that debt interest payments did not decrease; rather debt expense was reduced by interest capitalization.

#### 2012

The District posted income before contributions of \$1,561,307 in 2012. Growth in sewer and water connections remained lethargic with the continued slump in residential construction. At yearend 2012 the District served 35,679 sewer equivalent residential units (ERUs) and 22,504 water ERUs, an increase over 2011 of 1.1% in sewer ERUs and 0.7% in water ERUs.

Financial highlights include:

- At the end of the year the net position of the District was \$210,005,594. Of this amount \$160,226,731 was invested in capital assets (net of related debt), \$26,210,789 was unrestricted assets and available for meeting the District's ongoing obligations, and \$23,568,075 was restricted assets. The restricted asset amount was composed of \$22,445,084 set aside for capital projects related to District growth and \$1,122,991 reserved for bond payments.
- The District's Net Assets increased \$5,614,645. This increase was created by Income of \$1,561,307 and by Contributions from developers, called Contributions in Aid of Construction, of \$4,053,338. Developers installed \$2,133,726 of water and sewer infrastructure. These capital contributions are water and sewer lines and associated appurtenances that are constructed by private developers, according to the District's strict construction standards, and upon project completion are donated to the District. The District then maintains these water and sewer lines in perpetuity. An additional \$1,919,612 in system connection fees was collected.

# SOOS CREEK WATER AND SEWER DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL POSITION AND RESULTS OF OPERATIONS (Continued)

#### 2012

- District total liabilities increased \$342,798. This change was mainly the result of an increase of \$1,180,984 in current liabilities, mostly accounts payable, and a \$266,786 increase in accrued vacation and sick leave (see Note 16 of the notes to the financial statements). These increases were partially offset by a \$1,111,714 scheduled principal reduction in revenue bond and Public Works Trust Fund loan balances.
- Total District revenues increased \$2,129,449. This increase was due to a 5% increase in the District's sewer rate yielding a year-over-year revenue increase of \$662,718. In addition, water revenue increased year-over-year by \$1,128,282, the result of an 8% increase (average) in water rates and a 7% increase in the volume of water sold. The \$232,372 increase in Non-operating revenue was mainly due to an increase in interest received on investments.
- The District recorded a \$1,431,772 or 5% year-over-year increase in operating expenses. This increase, spread over most operating expense categories, included a \$200,951 increase in sewage treatment costs, a \$329,619 increase in water purchased for resale, a \$599,833 increase in operations, maintenance, and administrative costs, and a \$211,115 increase in depreciation expense.
- A \$177,553 decrease in non-operating expenses was mostly explained by a \$167,165 year-over-year reduction in charges related to abandoned infrastructure.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### Capital Assets

#### 2013

The District's total capital assets at yearend 2013, including work in progress, exceeded \$174 million (net of accumulated depreciation). This total includes land, sewer collection and transmission mains and lines, water transmission and distribution mains and lines, buildings, sewer and water pump stations, and construction work in progress on the sewer and water systems. Significant capital asset activity during the year included:

- The District added \$1,306,074 (net) in sewer infrastructure and other assets. Of this total, \$1,071,164 represented seven completed developments that connected to the District's sewer system. Major sewer projects completed by the District in 2013 included Lift Station 27 Generator for \$45,171 and an update of the sewer base mapping scheme for \$99,750.
- The District added \$714,402 (net) in water infrastructure and other assets. Of this total, \$441,780 represented five completed developments that connected to the District's water system. A key water project completed by the District in 2013 was an update of the water base mapping scheme for \$52,769.
- The District constantly works to improve its sewer and water systems through the comprehensive planning process and through the installation of automated system monitoring equipment. To this end, \$76,654 in related projects was completed in 2013.
- At yearend 2013, work in progress totaled \$17,503,056. Of this total, \$14,816,546 was for sewer system projects and \$2,686,510 was water system projects.

# SOOS CREEK WATER AND SEWER DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

### CAPITAL ASSETS AND LONG-TERM DEBT (Continued)

#### Capital Assets

#### 2013

Work in progress at yearend included:

	2013	2012	2011
Lift Station 11B	\$ 11,433,935.	\$ 4,268,703.	\$ 1,136,705.
Lift Station 46	2,897,064.	920,526.	235,829.
Cascade Vista 2 Water Main Rplcmnt	2,321,095.	334,097.	0.
Water & Sewer Comprehensive Plans	361,879.	326,148.	146,262.
Lift Station 24B Removal	178,916.	179,274.	179,274.
Maintenance Facility Expansion	111,469.	0.	0.
Water & Sewer Base Map Updates	0.	152,299.	0.
Pump Station 2 Replacement	0.	0.	1,674,986.
Lift Station 19 Abandonment	0.	0.	220,536.
Other projects	198,698.	377,854.	392,282.
	<u>\$ 17,503,056.</u>	<u>\$ 6,558,900.</u>	<u>\$ 3,985,873.</u>

#### 2012

The District's total capital assets at yearend 2012, including work in progress, exceeded \$167 million (net of accumulated depreciation). This total includes land, sewer collection and transmission mains and lines, water transmission and distribution mains and lines, buildings, sewer and water pump stations, and construction work in progress on the sewer and water systems. Significant capital asset activity during the year included:

- The District added \$2,049,141 (net) in sewer infrastructure and other assets. Of this total, \$1,373,182 represented 11 completed developments that connected to the District's sewer system. A major sewer construction project completed by the District in 2012 was Lift Station 19 Replacement for \$550,917.
- The District added \$2,745,586 (net) in water infrastructure and other assets. Of this total, \$818,613 represented seven completed developments that connected to the District's water system. A major water construction project completed by the District in 2012 was Pump Station 2 Replacement for \$1,685,844.
- The District constantly works to improve its sewer and water systems through the comprehensive planning process and through the installation of automated system monitoring equipment. To this end, \$55,813 in related projects was completed in 2012.
- At yearend 2012, work in progress totaled \$6,558,900. Of this total, \$5,956,739 was for sewer system projects and \$602,161 was water system projects.

# SOOS CREEK WATER AND SEWER DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

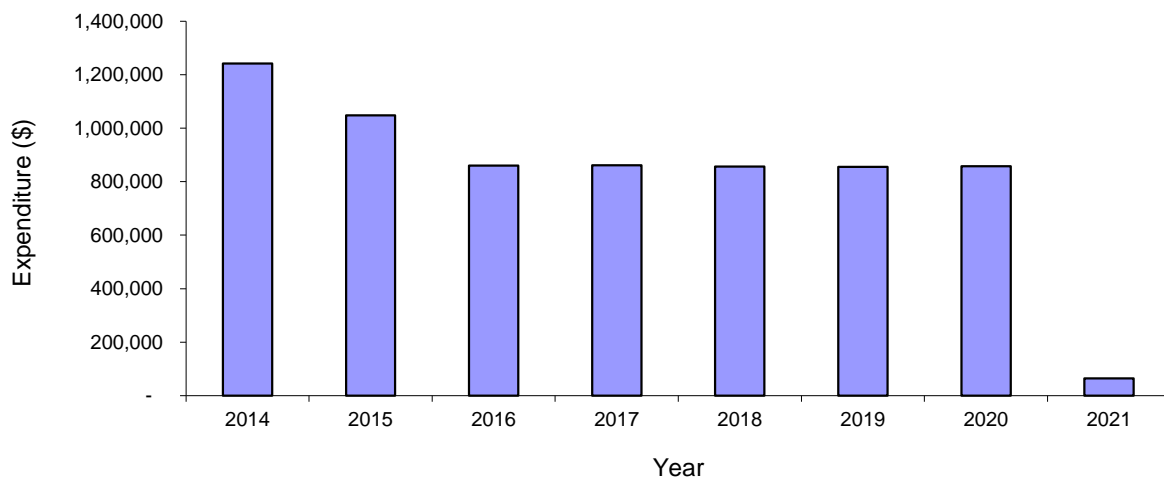
### CAPITAL ASSETS AND LONG-TERM DEBT (Continued)

#### Long-term Debt

At yearend 2013 the District's long-term debt, including current portion, stood at \$6,141,981, composed of \$4,412,920 in revenue bonds (net of bond premium) and \$1,729,061 in loans from the Washington State Public Works Trust Fund. These borrowed funds were used to complete projects that expanded, upgraded, and replaced sewer and water infrastructure. During 2013 long-term debt decreased \$1,111,713, the result of scheduled payments on debt principal.

The District is obligated to pay a total of \$6,647,441 in principal and interest from 2014 through 2021. The District's revenue bonds are rated AA by Standard & Poor's.

Annual Debt Service



See notes 4, 5, 10 and 12 of the notes to the financial statements for more information on capital assets and long-term debt.

#### Outlook

The District's ongoing capital improvement plan calls for the expenditure of \$32.2 million through 2018. It is the District's intent to fund these capital expenditures through a combination of utility receipts, sewer and water system connection fees, and assets currently on hand. The District has no current plans for additional revenue bond financing; however, should they become available the District would pursue grants and/or additional low-interest rate loans.

# SOOS CREEK WATER AND SEWER DISTRICT

## STATEMENT OF NET POSITION

December 31, 2013 and 2012

	2013	Restated 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Notes 1, 3, & 16	\$ 22,660,747.	\$ 23,009,057.
Receivables - Note 1	6,875,862.	6,559,899.
Inventory - Notes 1 & 16	264,337.	219,610.
Prepays	677,604.	500,200.
Restricted assets - Notes 2, 3 & 16:		
Capital Improvement Fund		
Cash and cash equivalents	17,574,826.	19,139,489.
Receivables	14,845.	18,700.
Project Construction Fund		
Cash and cash equivalents	1,541.	3,030,746.
Receivables	1.	1,783.
Revenue Bond Fund		
Cash and cash equivalents	750,696.	1,003,271.
Investments	50,683.	50,683.
Receivables	300.	470.
TOTAL CURRENT ASSETS	48,871,441.	53,533,909.
NON-CURRENT ASSETS		
Contractual obligation receivable - Note 17	220,791.	252,332.
Assessments receivable - Note 6	53,430.	75,683.
Accounts receivable general facility and connection charges - Note 8	215,569.	285,927.
TOTAL NON-CURRENT ASSETS	489,790.	613,942.
CAPITAL ASSETS - Notes 1, 4 & 16		
Capital assets not being depreciated:		
Land and land rights	1,404,902.	1,404,902.
Intangible property rights	1,800,706.	1,800,706.
Construction work in process - Note 5	17,503,056.	6,558,900.
Capital assets being depreciated:		
Utility plant in service	248,669,677.	246,893,962.
Less accumulated depreciation	(94,846,948.)	(89,178,044.)
TOTAL CAPITAL ASSETS	174,531,393.	167,480,426.
TOTAL NON-CURRENT AND CAPITAL ASSETS	175,021,183.	168,094,368.
TOTAL ASSETS	223,892,624.	221,628,277.

See accompanying notes to the financial statements

# SOOS CREEK WATER AND SEWER DISTRICT

## STATEMENT OF NET POSITION

December 31, 2013 and 2012

	2013	Restated 2012
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	2,559,919.	3,303,587.
Current portion of Public Works Trust Fund loans	531,665.	531,665.
Accrued interest payable on Public Works Trust Fund loans	7,365.	9,864.
Deposits of developers and customers - Note 7	507,382.	556,091.
Contract retainage - Note 9	502,500.	114,017.
Payables from Restricted Assets:		
Accounts payable - Capital Improvement Fund	632.	697.
Current portion of revenue and refunding bonds	590,598.	580,048.
Accrued interest payable on revenue and refunding bonds	33,894.	37,981.
TOTAL CURRENT LIABILITIES	4,733,955.	5,133,950.
LONG TERM LIABILITIES		
Accrued vacation and sick leave - Notes 1 and 16	356,559.	346,751.
Revenue and refunding bonds, net of current portion, bond discount and premium - Notes 10 and 11	3,822,322.	4,412,920.
Public Works Trust Fund loans, net of current portion - Note 12	1,197,396.	1,729,061.
TOTAL LONG TERM LIABILITIES	5,376,277.	6,488,733.
TOTAL LIABILITIES	10,110,232.	11,622,683.
NET POSITION - Note 16		
Net Investment in capital assets	168,389,412.	160,226,731.
Restricted	18,627,365.	23,568,075.
Unrestricted	26,765,616.	26,210,789.
TOTAL NET POSITION	\$ 213,782,393.	\$ 210,005,594.

See accompanying notes to the financial statements

# SOOS CREEK WATER AND SEWER DISTRICT

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION Years ended December 31, 2013 and 2012

	2013	Restated 2012
OPERATING REVENUES		
Sewer	\$ 25,771,088.	\$ 23,703,820.
Water	8,195,385.	7,995,872.
Street lights	234,649.	234,632.
Other operating revenue	2,071,251.	2,102,741.
TOTAL OPERATING REVENUES	<u>36,272,373.</u>	<u>34,037,065.</u>
OPERATING EXPENSES		
Sewage treatment	16,975,667.	15,219,562.
Water purchased for resale	3,348,113.	3,543,451.
Street light power	224,699.	218,268.
Maintenance	4,500,709.	3,840,635.
Business and accounting	1,689,880.	1,591,239.
Administration	2,199,433.	1,969,037.
Business and payroll taxes - Note 16	817,489.	843,677.
Depreciation	5,703,772.	5,659,907.
TOTAL OPERATING EXPENSES	<u>35,459,765.</u>	<u>32,885,777.</u>
OPERATING INCOME (LOSS)	812,608.	1,151,288.
NON-OPERATING REVENUES (EXPENSES)		
Assessment interest	15,195.	3,660.
Investment interest - Note 16	406,124.	570,151.
Gain on sale of surplus property	6,461.	10,329.
Interest paid on debt	(19,785.)	(98,612.)
Amortization of debt discount and expense	0.	(56,945.)
Loss on abandonment of utility plant	(24,164.)	(18,565.)
TOTAL NON-OP REVENUES (EXPENSES)	<u>383,831.</u>	<u>410,018.</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	1,196,440.	1,561,307.
Contributions in aid of construction	<u>2,580,358.</u>	<u>4,053,338.</u>
CHANGE IN NET POSITION	3,776,798.	5,614,645.
NET POSITION, JANUARY 1 - Note 16	<u>210,005,594.</u>	<u>204,390,950.</u>
NET POSITION, DECEMBER 31	<u><u>\$ 213,782,393.</u></u>	<u><u>\$ 210,005,594.</u></u>

See accompanying notes to the financial statements

**SOOS CREEK WATER AND SEWER DISTRICT**

**STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2013 and 2012**

	2013	Restated 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 35,987,952.	\$ 33,656,973.
Payments to suppliers	(26,530,041.)	(22,241,829.)
Payments to employees	(3,842,169.)	(3,964,072.)
NET CASH FROM OPERATING ACTIVITIES	5,615,742.	7,451,072.
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(11,044,293.)	(5,305,996.)
Principal and interest paid on revenue bonds	(696,925.)	(697,825.)
Principal and interest paid on loans	(518,432.)	(523,271.)
Proceeds from assessments	37,448.	18,079.
Proceeds from deferred facility and connection charges	87,614.	80,688.
Proceeds from sale of capital assets	6,461.	10,329.
Cash contributed in aid of construction	1,159,169.	1,919,613.
NET CASH PROVIDED (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES	(10,968,959.)	(4,498,384.)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	361,096.	514,165.
NET CASH FROM INVESTING ACTIVITIES	361,096.	514,165.
NET CHANGE IN CASH BALANCES	(4,992,122.)	3,466,854.
CASH BALANCES AT BEGINNING OF YEAR	45,979,932.	42,513,078.
CASH BALANCES AT END OF YEAR	<u>\$ 40,987,811.</u>	<u>\$ 45,979,932.</u>
CASH BALANCES AT END OF YEAR CONSIST OF:		
Restricted	18,327,064.	23,070,890.
Unrestricted	22,660,747.	22,909,042.
TOTAL CASH BALANCE	<u>\$ 40,987,811.</u>	<u>\$ 45,979,932.</u>

See accompanying notes to the financial statements

# SOOS CREEK WATER AND SEWER DISTRICT

## STATEMENTS OF CASH FLOWS Years ended December 31, 2013 and 2012

	2013	Restated 2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 812,608.	\$ 1,154,936.
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation expense	5,703,772.	5,659,907.
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(315,962.)	(411,634.)
(Increase) decrease in contractual receivable	31,542.	31,542.
(Increase) decrease in inventory	(44,727.)	(642.)
(Increase) decrease in prepaid expenses	(177,404.)	(145,044.)
Increase (decrease) in accounts payable	(743,669.)	1,367,861.
Increase (decrease) in accrued vacation and sick leave	9,808.	(27,894.)
Increase (decrease) in deposits of developers and customers	(48,709.)	(133,879.)
Increase (decrease) in contract retainage	388,483.	(44,081.)
TOTAL ADJUSTMENTS	4,803,134.	6,296,136.
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,615,742.</u>	<u>\$ 7,451,072.</u>
NON-CASH CAPITAL FINANCING ACTIVITIES:		
Developer contributed capital	<u>\$ 1,421,189.</u>	<u>\$ 2,133,726.</u>

See accompanying notes to the financial statements

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Soos Creek Water and Sewer District (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management who are responsible for their integrity and objectivity.

#### **Reporting Entity**

The District is a municipal corporation formed in King County, State of Washington, which is governed by an elected five-member board. The District's primary activity is to provide water and sewer services to residential and commercial customers within the District's boundaries.

#### **General**

The accounting policies of the District conform to generally accepted accounting principles as applicable to proprietary funds of governmental units, except for interest and penalties earned on utility local improvement district assessments which are recorded as received. This practice is not in accordance with generally accepted accounting principles, but does not result in a material difference. The following is a summary of the more significant policies.

#### **Basis of Accounting**

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of RCW Chapter 43.09. The District uses the BARS System of Accounts for governmental units.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, except that accrued assessment interest is not reflected therein. The District's financial statements include the financial position and results of all operations that the District manages.

#### **Cash Flows**

The District presents its cash flow statements using the direct method. For purposes of the statements of cash flows, the District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Cash and cash equivalents at the balance sheet dates consisted of the following:

	2013	2012
Cash in trust account	\$ 408,020.	\$ 80,366.
Cash in bank	215,739.	187,050.
Cash in bank lockbox facility	120,886.	342,178.
Cash in King County Investment Pool	21,916,101.	22,399,463.
Total	<u>\$ 22,660,747.</u>	<u>\$ 23,009,057.</u>

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Accounts Receivable**

Unbilled utility service receivables are recorded at yearend.

The District does not provide an allowance for doubtful accounts. All accounts are considered collectible. Uncollectible accounts are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

The following amounts were due the District at December 31:

	<u>2013</u>	<u>2012</u>
Utilities	\$ 6,734,389.	\$ 6,415,916.
Developers	93,597.	98,755.
Contractual obligation, current portion	31,542.	31,542.
Interest	9,641.	11,108.
Other	<u>6,693.</u>	<u>2,579.</u>
Total	<u>\$ 6,875,862.</u>	<u>\$ 6,559,899.</u>

#### **Inventories**

Inventories are valued at the lower of cost or market using the first-in, first-out method. Inventories consisted of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Materials and supplies	\$ 107,133.	\$ 100,068.
Small tools	<u>157,204.</u>	<u>119,542.</u>
Total	<u>\$ 264,337.</u>	<u>\$ 219,610.</u>

#### **Utility Plant and Depreciation**

Utility plant in service and other fixed assets are stated at cost where the historical cost is known. Where historical cost is not known, assets are recorded at the District engineer's estimated cost. Donations by developers and customers are recorded at the contract price or donor cost or appraised value.

Expenditures for maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Renewals and betterments that materially extend the life of the assets are capitalized. At the time property is sold, retired or otherwise disposed of, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Depreciation is computed on the straight-line method with useful lives of five to fifty years. Initial depreciation on utility plant is recorded in the year subsequent to purchase. Depreciation expense for the years ended December 31, 2013 and 2012 were \$5,703,772 and \$5,659,907 respectively. Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs related to projects ultimately constructed are transferred to utility plant; charges related to abandoned projects are expensed.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Capitalization of Expenses***

The District incurs engineering, legal, and other expenses in connection with the design and construction of utility plant. These costs are capitalized and recorded as a cost of utility plant. Expenditures for capital assets that exceed \$5,000, including capital leases and repairs that extend useful lives, are capitalized. Interest costs incurred are subject to capitalization. Total interest costs incurred for the years ending December 31, 2013 and 2012 were \$163,647 and \$184,499 respectively; interest capitalized in 2013 and 2012 was \$143,862 and \$85,887 respectively.

#### ***Revenues and Expenses***

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues result from providing services related to the District's water and sewer systems. Operating expenses include costs associated with providing District services, general and administrative expenses, and depreciation on assets. All revenues and expenses not meeting these definitions are classified as non-operating.

#### ***Compensated Absences***

The District accrues accumulated unpaid vacation and sick leave benefits as earned. Sick leave is accrued at 50% of the amount due, as that portion would be paid on termination. The liabilities for unpaid vacation and sick leave benefits at December 31, 2013 and 2012 were \$356,559 and \$346,751 respectively. See Note 16, Prior Period Adjustment, for more information on Compensated Absences.

#### **Vacation**

Each full-time employee receives vacation benefits as follows:

<u>Years of Continuous Service</u>	<u>Monthly Vacation Credit</u>	<u>Equivalent Annual Vacation Earned</u>
First year	1 day	12 working days
After two years	1.083 days	13 working days
After three years	1.167 days	14 working days
After five years	1.25 days	15 working days
After ten years	1.50 days	18 working days
After fifteen years	1.67 days	20 working days
After twenty years	1.75 days	21 working days
After twenty-five years	1.833 days	22 working days

During the first year of employment, an employee is not entitled to take any vacation. If an employee's employment with the District terminates prior to completing one year of employment, the employee is not entitled to any prorated vacation pay. During the second and all subsequent years of employment, vacation will accrue and be eligible on a continuing basis each month. An employee may not accumulate more than 1.5 times his/her annual vacation days. At the end of the year, or at the time of termination or retirement, vacation accruals will be adjusted accordingly. Each December 31st, all vacation accruals in excess of the allowable amount are dropped.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Compensated Absences***

##### **Sick Leave**

Each fulltime regular employee of the District accrues sick leave benefits at the rate of one day per calendar month, beginning with the first calendar month following the commencement of employment. The sick leave accruing each month is credited to the employee at the end of that month. The amount of accumulated sick leave is limited to 520 hours.

Upon retirement, an employee receives 50% of any remaining unused accumulated sick leave at the employee's then current rate of pay.

Upon the death of an employee who leaves a surviving spouse or surviving minor child, the surviving spouse or surviving minor child, but not both, is entitled to 50% of the employee's unused accumulated sick leave at the employee's then current rate of pay.

An employee who voluntarily terminates, and is not on probation at the time of termination, receives 50% of the employee's unused accumulated sick leave at the employee's then current rate of pay. An employee terminated by the District without cause receives 50% of the employee's unused accumulated sick leave at the employee's then current rate of pay; terminated with cause receives no sick leave accrual.

#### ***Income and Property Taxes***

The District is a municipal corporation and as such is exempt from income and property taxes.

### NOTE 2 - RESTRICTED ASSETS

Cash, investments, and bond funds are maintained by the King County Treasurer's Office.

#### ***Revenue Bond Funds***

In accordance with bond resolutions and certain related agreements, separate restricted funds are required to be established. Assets held in these funds are restricted for specific uses, including debt service and other special reserve requirements. Restricted bond funds included the following at the balance sheet dates:

	2013	2012
Bond fund cash	\$ 750,696.	\$ 1,003,271.
Bond fund investments	50,683.	50,683.
Accrued interest receivable	300.	470.
Total	<u>\$ 801,679.</u>	<u>\$ 1,054,424.</u>

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 2 - RESTRICTED ASSETS (Continued)

#### **Revenue Bond Funds**

These restricted funds are to be used for redemption of revenue bonds and related interest costs.

Restricted bond fund assets shown on the balance sheets included the following investments:

	<u>2013</u>	<u>2012</u>
King County Investment Pool	\$ 750,696.	\$ 1,003,271.
Land	<u>50,683.</u>	<u>50,683.</u>
Total	<u>\$ 801,379.</u>	<u>\$ 1,053,954.</u>

#### **Special Funds**

In accordance with District resolutions, separate restricted funds are required. Assets held in these funds are restricted for specific uses, including construction and replacement of utility plant.

Restricted funds included the following special funds at the balance sheet dates:

	<u>2013</u>	<u>2012</u>
Capital Improvement Fund		
King County Investment Pool	\$17,574,826.	\$19,139,489.
Interest receivable	14,845.	18,700.
Project Construction Fund		
King County Investment Pool	1,541.	3,030,746.
Interest receivable	<u>1.</u>	<u>1,783.</u>
Total	<u>\$17,591,213.</u>	<u>\$22,190,718.</u>

Restricted and special fund assets shown on the balance sheets included the following investments:

	<u>2013</u>	<u>2012</u>
King County Investment Pool	\$18,327,064.	\$23,173,506.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 3 - DEPOSITS AND INVESTMENTS

Cash and investments are maintained by the District's *ex officio* treasurer, King County. In accordance with state investment laws, the District has entered into a formal inter-local agreement with King County to have some funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool).

As of December 31, 2013, the District had the following investments in the Pool:

Investment	Par Value	Fair Value	Effective Duration
Main pool	\$40,069,392.	\$39,993,260.	1.23 years
Impaired pool	173,773.	102,873.	
Total	<u>\$40,243,165.</u>	<u>\$40,096,133.</u>	

As of December 31, 2012, the District had the following investments in the Pool:

Investment	Par Value	Fair Value	Effective Duration
Main pool	\$45,370,337.	\$45,284,133.	1.36 years
Impaired pool	202,631.	99,562.	
Total	<u>\$45,572,968.</u>	<u>\$45,383,695.</u>	

**Impaired Investments.** As of Dec. 31, 2013, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool principal on December 31, 2013 and 2012 was \$173,773 and \$202,631 respectively; the fair value of these investments on December 31, 2013 and 2012 was \$102,873 and \$99,562 respectively.

**Interest Rate Risk.** As of December 31, 2013, the Pool's average duration was 1.23 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

**Credit Risk.** As of Dec. 31, 2013, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 4 – UTILITY PLANT

Major expenses for capital assets, including major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Utility plant in service is recorded at cost. Donations by developers are recorded at the donor cost.

Utility plant activity for the year ended December 31, 2013, was as follows:

	Balance Dec. 31, 2012	Increase	Decrease	Balance Dec. 31, 2013
Utility plant not being depreciated:				
Land & land rights	\$ 1,404,902.	\$ 0.	\$ 0.	\$ 1,404,902.
Intangible property rights	1,800,706.	0.	0.	1,800,706.
Construction in progress	6,558,900.	11,690,647.	746,491.	17,503,056.
Total	9,764,508.	11,690,647.	746,491.	20,708,664.
Utility plant being depreciated:				
Sewer collection mains & pipes	143,221,379.	1,071,164.	38,975.	144,253,568.
Water transmission mains & pipes	58,602,241.	478,529.	0.	59,080,771.
Pumping stations & reservoirs	28,602,737.	0.	0.	28,602,737.
Buildings	4,680,481.	0.	0.	4,680,481.
Machinery, equipment, & other	11,787,124.	285,053.	20,057.	12,052,120.
Total	246,893,962.	1,834,747.	59,032.	248,669,677.
Less accumulated depreciation:				
Sewer collection mains & pipes	49,296,158.	2,856,959.	34,868.	52,118,249.
Water transmission mains & pipes	16,779,991.	1,194,363.	0.	17,974,354.
Pumping stations & reservoirs	11,884,098.	984,170.	0.	12,868,268.
Buildings	2,070,906.	111,450.	0.	2,182,356.
Machinery, equipment, & other	9,146,892.	556,829.	0.	9,703,721.
Total	89,178,044.	5,703,771.	34,868.	94,846,948.
Total depreciable assets, net	157,715,918.	(3,869,024.)	24,164.	153,822,729.
Total capital assets, net	\$ 167,480,426.	\$ 7,821,623.	\$ 770,655.	\$ 174,531,393.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

### NOTE 4 – UTILITY PLANT (Continued)

Utility plant activity for the year ended December 31, 2012, was as follows:

	Balance Dec. 31, 2011	Increase	Decrease	Balance Dec. 31, 2012
Utility plant not being depreciated:				
Land & land rights	\$ 1,173,878.	\$ 231,024.	\$ 0.	\$ 1,404,902.
Intangible property rights	1,800,706.	0.	0.	1,800,706.
Construction in progress	3,985,873.	2,573,027.	0.	6,558,900.
Total	6,960,457.	2,804,051.	0.	9,764,508.
Utility plant being depreciated:				
Sewer collection mains & pipes	141,207,649.	2,044,577.	30,847.	143,221,379.
Water transmission mains & pipes	57,365,395.	1,285,159.	48,313.	58,602,241.
Pumping stations & reservoirs	27,453,373.	1,204,274.	54,910.	28,602,737.
Buildings	4,680,481.	0.	0.	4,680,481.
Machinery, equipment, & other	11,639,882.	200,327.	53,085.	11,787,124.
Total	242,346,780.	4,734,337.	187,155.	246,893,962.
Less accumulated depreciation:				
Sewer collection mains & pipes	46,493,438.	2,816,848.	14,128.	49,296,158.
Water transmission mains & pipes	15,657,585.	1,168,873.	46,467.	16,779,991.
Pumping stations & reservoirs	10,975,234.	963,774.	54,910.	11,884,098.
Buildings	1,959,456.	111,450.	0.	2,070,906.
Machinery, equipment, & other	8,601,016.	598,961.	53,085.	9,146,892.
Total	83,686,729.	5,659,906.	168,590.	89,178,044.
Total depreciable assets, net	158,660,051.	(925,569.)	18,565.	157,715,918.
Total capital assets, net	\$ 165,620,508.	\$ 1,878,482.	\$ 18,565.	\$ 167,480,426.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 5 - WORK IN PROGRESS

Work in progress represents expenditures to-date on projects authorized by the Board of Commissioners. Costs are accumulated on projects until completed and accepted by the Board. Upon acceptance by the Board the projects are transferred to Utility Plant. Total work in progress as of December 31, 2013, was \$17,503,056 and as of December 31, 2012, was \$6,558,900.

Work in progress at December 31 was composed of the following:

	2013	2012
Lift Station 11B	\$ 11,433,935.	\$ 4,268,703.
Lift Station 46	2,897,064.	920,526.
Cascade Vista 2 Water Main Rplcmnt	2,321,095.	334,097.
Water & Sewer Comprehensive Plans	361,879.	326,148.
Lift Station 24B Removal	178,916.	179,274.
Maintenance Facility Expansion	111,469.	20,057.
Water & Sewer Base Map Updates	0.	152,299.
Other projects	198,699.	357,797.
	<u>\$ 17,503,056.</u>	<u>\$ 6,558,900.</u>

### NOTE 6 – OTHER DEBITS (CREDITS)

#### ***Assessments Receivable***

Assessment levies are recorded as filed with the King County Treasurer for Utility Local Improvement District (ULID) projects. The following sewer division assessments were outstanding as of the balance sheet dates:

	2013	2012
ULID No. 86	\$ 4,118.	\$ 7,650.
ULID No. 101	4,167.	5,000.
ULID No. 107	45,146.	63,033.
Total	<u>\$ 53,430.</u>	<u>\$ 75,683.</u>

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 6 - OTHER DEBITS (CREDITS) (Continued)

#### ***Amortization of Debt Discount and Expense***

Costs related to the sale of bonds were deferred and amortized over the lives of the various bond issues. With the implementation of GASB Statement 65, all debt issuance costs (if not material) were to be expensed in 2012. Consequently in 2012 the District expensed the unamortized balance of \$56,945.

### NOTE 7 - DEPOSITS OF DEVELOPERS AND CUSTOMERS

The District requires developers and customers to deposit funds upon beginning a project to which charges for District services are applied.

The following deposits of developers and customers were on hand at December 31:

	2013	2012
Main extension deposits	\$ 41,611.	\$ 23,653.
Prepaid sewer area charges	15,315.	15,315.
Prepaid water area charges	1,292.	1,292.
Prepaid connection charges	14,899.	14,899.
Guaranty deposits	174,561.	228,296.
Developer easement deposits	95,021.	111,922.
Construction inspection deposits	106,609.	126,545.
Latecomer deposits	55,725.	33,669.
Customer deposits	2,348.	500.
Total	<u>\$ 507,382.</u>	<u>\$ 556,091.</u>

### NOTE 8 - ACCOUNTS RECEIVABLE GENERAL FACILITY CHARGES AND SPECIAL CONNECTION CHARGES

The District has recorded as receivable unpaid general facility charges and connection charges. The various payment agreements include interest rates ranging from 6.0% to 7.75% with final payments due in 2014 to 2020. The total general facility and special connection charge balances due December 31, 2013 and 2012 were \$215,566 and \$285,926 respectively.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 9 – CONTRACT RETAINAGE

The following amounts were due to contractors for District construction contracts at December 31:

	2013	2012
Pease & Sons	\$ 408,020.	\$ 80,367.
Jennings NW	94,480.	4,139.
Coatings Unlimited	0.	15,554.
Pacific Crest Construction	0.	9,679.
KC Equipment	0.	4,278.
	<u>\$ 502,500.</u>	<u>\$ 114,017.</u>

### NOTE 10 – REVENUE BONDS

#### *Water and Sewer Revenue Bonds, 2011*

The District issued \$5,375,000 of Water and Sewer Revenue Bonds, 2011, dated March 16, 2011. The bonds were issued to pay a portion of the costs to construct and equip sewer Lift Station 11B and to pay a portion of the costs of issuance of the Bonds. The Bonds are fully registered as to both principal and interest and bear interest from March 16, 2011, payable semiannually on March 1 and September 1.

The maturity and interest schedule for the 2011 Bonds is as follows:

Maturity Schedule for 2011 Bonds

Year	Principal	Interest	Total
2014	\$ 560,000.	135,575.	\$ 695,575.
2015	575,000.	118,775.	693,775.
2016	595,000.	101,525.	696,525.
2017	615,000.	83,675.	698,675.
2018	630,000.	65,225.	695,225.
2019 to 2020	1,325,000.	68,375.	1,393,375.
	<u>\$ 4,300,000.</u>	<u>\$ 573,150.</u>	<u>\$ 4,873,150.</u>

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 10 – REVENUE BONDS (Continued)

#### **Summary**

Summary of Revenue Bonds Outstanding and accrued interest thereon as of December 31:

2013		2012	
Principal	Accrued Interest	Principal	Accrued Interest
\$ 4,300,000.	\$ 33,894.	\$ 4,845,000.	\$ 37,981.

### NOTE 11 – PREMIUM ON BOND ISSUES

#### **Bond Premium Amortization**

The District, upon issuance of the 2011 Revenue Bonds, received \$223,100 in offering premium. The District is amortizing the bond premium in a systematic fashion over the life of the bonds. The remaining premium, \$112,920.14 as of December 31, 2013, will be recorded as interest on revenue bonds.

### NOTE 12 - PUBLIC WORKS TRUST FUND LOANS

#### **2001 Public Works Trust Fund Loan**

The District entered into an agreement with the Department of Community Development of the State of Washington on May 4, 2001, to obtain a loan of \$1,224,484.

The loan bears interest at one-half of one percent (0.5%) per annum on the outstanding principal balance. The term of the loan is twenty (20) years, with the final payment due July 1, 2021. The loan is being repaid solely from utility revenues. The first loan repayment under the agreement was due July 1, 2000, and subsequent installments are due on July 1 of each year during the term of the loan.

The proceeds were used for the construction of the Meridiana Sewer Extension and Water Main Project.

#### **2000 Public Works Trust Fund Loan**

The District entered into an agreement with the Department of Community Development of the State of Washington on March 30, 2000, to obtain a loan of \$1,779,000.

The loan bears interest at one percent (1.0%) per annum on the outstanding principal balance. The term of the loan is twenty (20) years, with the final payment due July 1, 2020. The loan is being repaid solely from utility revenues. The first loan repayment under the agreement was due July 1, 2000, and subsequent installments are due on July 1 of each year during the term of the loan.

The proceeds were used for the construction of Lift Station 38 and the Witte Road conveyance.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 12 - PUBLIC WORKS TRUST FUND LOANS (Continued)

#### **1995 Public Works Trust Fund Loan**

The District entered into an agreement with the Department of Community Development of the State of Washington on June 1, 1995, to obtain a loan of \$3,500,000.

The loan bears interest at one percent (1.0%) per annum on the outstanding principal balance. The term of the loan is twenty (20) years, with the final payment due July 1, 2015. The loan is being repaid solely from utility revenues. The first loan repayment under the agreement was due July 1, 1997, and subsequent installments are due on July 1 of each year during the term of the loan.

The proceeds were used for lift station/storage replacement or improvements, interceptors, relief sewers and force main improvements.

#### **1994 Public Works Trust Fund Loan**

The District entered into an agreement with the Department of Community Development of the State of Washington on April 11, 1994, to obtain a loan of \$3,500,000.

The loan bears interest at one percent (1.0%) per annum on the outstanding principal balance. The term of the loan is twenty (20) years, with the final payment due July 1, 2014. The loan is being repaid solely from utility revenues. The first loan repayment under the agreement was due July 1, 1996, and subsequent installments are due on July 1 of each year during the term of the loan.

The proceeds were used for the Lift Station 10 & 11 conveyance system replacement project.

#### **Summary**

Public Works Trust Fund loans at the balance sheet dates consisted of the following:

	<u>2013</u>	<u>2012</u>
Balance	\$ 1,729,061.	\$ 2,260,726.
Less: current portion	<u>(531,665. )</u>	<u>(531,665. )</u>
Long term debt	<u>\$ 1,197,396.</u>	<u>\$ 1,729,061.</u>
Accrued interest payable on loans	\$ 7,365.	\$ 9,864.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

### NOTE 12 - PUBLIC WORKS TRUST FUND LOANS (Continued)

The following annual debt service costs will be due on Public Works Trust Fund loans:

	Principal	Interest	Total
2014	\$ 531,665.	\$ 14,731.	\$ 546,396.
2015	345,288.	9,734.	355,022.
2016	157,623.	6,601.	164,225.
2017	157,623.	5,345.	162,968.
2018	157,623.	4,089.	161,712.
2019 to 2021	379,238.	4,729.	383,967.
Total	<u>\$ 1,729,061.</u>	<u>\$ 45,229.</u>	<u>\$ 1,774,291.</u>

### NOTE 13 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

	Balance Dec. 31, 2012	Additions	Reductions	Balance Dec. 31, 2013	Due Within One Year
Revenue Bonds Payable	\$ 4,845,000.	\$ 0.	\$ 545,000.	\$ 4,300,000.	\$ 560,000.
Plus Bond Premium	147,968.	0.	35,048.	112,920.	30,598.
Total Bonds Payable	4,992,968.	0.	580,048.	4,412,920.	590,598.
Public Works Trust Fund Loans	2,260,727.	0.	531,666.	1,729,061.	531,665.
Compensated Absences	346,751.	9,808.	0.	356,559.	0.
Total Long-term Liabilities	<u>\$ 7,600,446.</u>	<u>\$ 9,808.</u>	<u>\$ 1,111,714.</u>	<u>\$ 6,498,540.</u>	<u>\$ 1,122,263.</u>

During the year ended December 31, 2012, the following changes occurred in long-term liabilities:

	Balance Dec. 31, 2011	Additions	Reductions	Balance Dec. 31, 2012	Due Within One Year
Revenue Bonds Payable	\$ 5,375,000.	\$ 0.	\$ 530,000.	\$ 4,845,000.	\$ 545,000.
Plus Bond Premium	187,346.	0.	39,378.	147,968.	35,048.
Total Bonds Payable	5,562,346.	0.	569,378.	4,992,968.	580,048.
Public Works Trust Fund Loans	2,792,392.	0.	531,665.	2,260,727.	531,665.
Compensated Absences	374,645.	0.	27,894.	346,751.	0.
Total Long-term Liabilities	<u>\$ 8,729,383.</u>	<u>\$ 0.</u>	<u>\$ 1,128,938.</u>	<u>\$ 7,600,446.</u>	<u>\$ 1,111,713.</u>

See Note 16, Prior Period Adjustment, for information about the December 31, 2011, balance of Compensated Absences.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 14 – PENSION AND HEALTHCARE REIMBURSEMENT ACCOUNT PLANS

#### **Pension Plan**

Substantially all of Soos Creek Water and Sewer District's full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS). This is a statewide local government retirement system administered by the Washington State Department of Retirement Systems (DRS) under a cost sharing, multiple-employer, defined benefit, public employee retirement plan.

The State Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and supplementary information. A copy of this report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
PO Box 48380  
Olympia, Washington 98504-8380

Alternatively, the CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

#### **Description of Plan**

The Legislature established PERS in 1947. PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; non-certificated employees of school districts; and employees of local government. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

Participants who joined the system by September 30, 1977, are Plan 1 members. Those joining after September 30, 1977, and by August 31, 2002, are enrolled in Plan 2 unless they exercise an option to transfer their membership to Plan 3. PERS participants joining after August 31, 2002, have the irrevocable option of choosing either Plan 2 or Plan 3. The option must be exercised within the first 90 days of employment. Employees who fail to choose within 90 days default to Plan 3. PERS defined benefit retirement benefits are financed from employee and employer contributions and investment earnings.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 14 – PENSION AND HEALTHCARE REIMBURSEMENT ACCOUNT PLANS (Continued)

#### Pension Plan

Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. The annual pension is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced. Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.) Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor that varies according to age, for each year before age 65. Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually. The surviving spouse or eligible child or children of a Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As of December 31, 2013, the District had no employees in Plan 3.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 14 – PENSION AND HEALTHCARE REIMBURSEMENT ACCOUNT PLANS (Continued)

#### Pension Plan

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and beneficiaries receiving benefits	82,242
Terminated plan members entitled to but not yet receiving benefits	30,515
Active plan members vested	106,317
Active plan members not vested	<u>44,273</u>
Total	263,347

As of June 30, 2011, there were 1,184 participating employers in PERS and membership consisted of the following:

Retirees and beneficiaries receiving benefits	79,363
Terminated plan members entitled to but not yet receiving benefits	29,925
Active plan members vested	105,578
Active plan members not vested	<u>46,839</u>
Total	261,705

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

SOOS CREEK WATER AND SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 14 – PENSION AND HEALTHCARE REIMBURSEMENT ACCOUNT PLANS  
(Continued)

**Pension Plan**

***Contributions***

The required contribution rates expressed as percentage of covered payroll as of December 31, 2013, were:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer *	9.21%	9.21%	9.21% **
Employee	6.00%	4.92%	***

The required contribution rates expressed as percentage of covered payroll as of December 31, 2012, were:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer *	7.21%	7.21%	7.21% **
Employee	6.00%	4.64%	***

\* The employer rates include the employer administrative expense fee currently set at 0.18%.

\*\* Plan 3 defined benefit portion only.

\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by employee.

Both the District and the employees made the required contributions. The District's (employer's) required contributions for the years ended December 31, were:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2013	\$ 14,088.	\$ 197,065.	\$ 0.
2012	12,002.	174,535.	0.
2011	8,608.	146,037.	0.
2010	8,681.	120,662.	0.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 14 – PENSION AND HEALTHCARE REIMBURSEMENT ACCOUNT PLANS (Continued)

#### Healthcare Reimbursement Account Plan

##### **Description of the Plan**

The District adopted a healthcare reimbursement account VEBA plan (HRA/VEBA) effective January 1, 2001. The intention of the District is that the HRA/VEBA qualify as a tax-exempt trust as authorized by Internal Revenue Code section 501(c)(9). The HRA/VEBA is a pre- and post-retirement, tax-exempt, medical expense reimbursement account.

##### **Contributions**

The HRA/VEBA accounts are funded in two ways, through annual sick leave cash-outs and through medical and dental benefits equalization.

**Sick Leave Cash-outs.** In January of each year, annual net sick leave (annual hours earned less hours used) is deposited to the employees' HRA/VEBA accounts. The number of sick leave hours and the employees' rate of pay are as of December 1 of the prior year. The HRA/VEBA deposit schedule for fulltime employees is as follows:

<u>Accumulated Sick Leave as of December 1</u>	<u>Deposit to HRA/VEBA Account</u>
0 to 95 hours	0
96 to 300 hours	25% of annual net sick leave (24 hours max)
301 to 520 hours	50% of annual net sick leave (48 hours max)
> 520 hours	100% of sick leave accrual over 520 hours

The deposit schedule for regular part-time employees would be on a pro-rated basis.

**Benefits Equalization.** The District determined that it was prudent to pay all employees the same medical and dental insurance benefit regardless of marital and/or family status. Those employees that waive medical and/or dental insurance coverage offered by the District for spouses and/or children receive an amount equal to the difference between full coverage (employee, spouse, and children) and their elected coverage. This difference is deposited monthly into the employees' HRA/VEBA accounts.

The District's 2013 and 2012 contributions to the employees' HRA/VEBA accounts totaled \$225,128 and \$340,727 respectively. Employees are always 100% vested in their HRA/VEBA accounts.

### NOTE 15 – RISK MANAGEMENT

#### **Property and Liability Insurance**

The District is exposed to the risk of loss from torts, theft of or damage to assets, business interruption, errors and omissions, contractual actions, natural disasters, environmental regulations, and other third-party liabilities. The District has implemented programs to protect against accidental and criminal losses that would significantly affect personnel, property, or finances by using a combination of loss control programs, participation in a risk-sharing pool, and self-insurance.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 15 – RISK MANAGEMENT (Continued)

#### ***Property and Liability Insurance***

For property and liability insurance, the District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987, pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2013, there are 486 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides “per occurrence” based policies for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, and business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis:

\$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss; \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss. Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members. The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in-house. The amount of settlements for claims filed with Enduris did not exceed insurance coverage for the past three years: 2011, 2012, 2013.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

#### ***Health Insurance***

For health insurance (medical, vision, prescription), the District maintains a self-funded insurance plan. The District assumes an annual stop loss of \$25,000 per employee/family, with an aggregating specific deductible of \$40,000, and an aggregate stop loss of \$1 million. The stop loss insurance coverage is with Sun Life Financial. A third-party administrator handles claims and plan administration. As of December 31, 2013 and 2012 the District’s Medical Reserve Fund balances were \$179,839 and \$151,150 respectively.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 16 – PRIOR PERIOD ADJUSTMENTS

As reported in Note 15 above, in 2001 the District established an employee healthcare reimbursement account or HRA/VEBA plan. From plan implementation through 2011, District contributions to the employees' HRA/VEBA accounts had been incorrectly recorded as a deduction in Accrued Leave. A total adjustment of \$294,680 was made to the 2011 ending balances of Accrued Leave (increase) and Net Position (decrease).

The years effected and the required corrections were as follows:

<u>Year</u>	<u>Correction</u>
2011	\$ 32,002.
2010	31,388.
2009	34,809.
2008	28,015.
2007	26,837.
2006	25,283.
2005	23,556.
2004	21,440.
2003	18,630.
2002	17,641.
2001	35,079.
	<u>\$ 294,680.</u>

In 2012 the District:

- Incorrectly included \$37,981 accrued interest payable in net investment in capital assets. The 2012 financial statements have been restated increasing net investment in capital assets by \$37,981 and decreasing restricted assets by \$37,981.
- Incorrectly included \$16,520 of inventory in utility plant in service. The 2012 financial statements have been restated reducing utility plant in service by \$16,520 and increasing inventory by \$16,520.
- Incorrectly included \$1,800,706 non-depreciable intangible assets in capital assets being depreciated. The 2012 financial statements have been restated decreasing capital assets being depreciated by \$1,800,706 and increasing capital assets not being depreciated by \$1,800,706.
- Incorrectly excluded \$202,631 of investment pool impaired investments in cash and cash equivalents. The 2012 financial statements have been restated increasing cash and cash equivalents by \$202,631, decreasing investment interest by \$59,052, and increasing net position as of January 1, 2012, by \$261,684.
- Incorrectly expensed \$59,160 in business and payroll taxes that should have been expensed in 2011 and failed to accrue \$62,808 in 2012 business and payroll taxes paid in 2013. The 2012 financial statements have been restated increasing business and payroll taxes by \$3,648 and increasing accounts payable by \$3,648.

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 17 – OTHER DISCLOSURES

#### ***Contractual Receivable***

On May 17, 2000, the District entered into an inter-local agreement with King County Water District 111 (WD 111) for the joint construction of the Meridiana project, a District sewer line and a WD 111 water line. As project administrator, the District borrowed \$1,224,484 from the Department of Community Development of the State of Washington (See Note 12). Based upon proportional construction costs, WD 111's pro-rata share of the loan was 49.29% or \$603,548.

The following schedule depicts the annual obligation WD 111 has to the District:

Due from Water District 111			
Year	Principal	Interest	Total
2014	\$ 31,542.	1,262.	\$ 32,803.
2015	31,542.	1,104.	32,645.
2016	31,542.	946.	32,488.
2017	31,542.	789.	32,330.
2018	31,542.	631.	32,172.
2019 to 2021	94,625.	946.	95,571.
	<u>\$ 252,332.</u>	<u>\$ 5,677.</u>	<u>\$ 258,010.</u>

#### ***Funds Transfer, Restricted Funds to Unrestricted Funds***

In 2011 the District completed two capital projects that were constructed to handle both future growth in connections and to replace existing facilities. District management and engineers determined that the payment of these projects should be split between restricted funds dedicated to growth-related capital projects and unrestricted funds. During the course of the projects, to facilitate bookkeeping and cost tracking, each project's expenditures were paid from one fund. In May 2012 the District made a \$13,831 net transfer from restricted to unrestricted funds to recognize the funding splits.

Project	% Unrestricted Funds	% Restricted Funds	Total Expenditures	Transfer
Cascade Vista 3, Ph. 2, Water Main	59%	41%	\$ 1,430,460.	\$ 586,489.
SE 208th St. Water Main	37%	63%	1,547,725.	(572,658.)
			Net transfer	<u>\$ 13,830.</u>

# SOOS CREEK WATER AND SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 17 – OTHER DISCLOSURES (Continued)

#### ***Funds Transfer, Restricted Funds to Unrestricted Funds***

In 2012 the District completed two capital projects that were constructed to handle both future growth in connections and to replace existing facilities. District management and engineers determined that the payment of these projects should be split between restricted funds dedicated to growth-related capital projects and unrestricted funds. During the course of the projects, to facilitate bookkeeping and cost tracking, each project's expenditures were paid from one fund. In May 2013 the District made an \$819,498 transfer from restricted to unrestricted funds to recognize the funding splits.

Project	% Unrestricted Funds	% Restricted Funds	Total Expenditures	Transfer
Pump Station 2 Replacement	50%	50%	\$ 842,922.	\$ 421,461.
Lift Station 19 Replacement	15%	85%	468,279.	398,037.
				<u>\$ 819,498.</u>

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>